

**REPORT OF THE AUDIT OF THE
CARTER COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Charles Wallace, Carter County Judge/Executive

Members of the Carter County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carter County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated Carter County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARTER COUNTY FISCAL COURT

June 30, 2007

Peercy and Gray, PSC has completed the audit of the Carter County Fiscal Court for fiscal year ended June 30, 2007. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Carter County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$6,248,390 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,313,114 in its governmental activities as of June 30, 2007, with total net assets of \$6,208,784. In its business-type activities, total cash and cash equivalents were \$14,292 with total net assets of \$39,606. The fiscal court had total debt principal as of June 30, 2007 of \$12,921,198 with \$689,932 due within the next year.

Report Comments:

- 2007-01 The Fiscal Court Should Maintain Proper Records For The Public Properties - Justice Center Corporation Fund
- 2007-02 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2007-03 The Jailer Should Increase Internal Controls Over The Billing For Inmates From Other Counties
- 2007-04 The Jailer Should Adhere To The Procurement Requirements Of The County Administrative Code Regarding Purchases From Jail Commissary Funds

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Charles Wallace, Carter County Judge/Executive
Members of the Carter County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carter County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carter County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carter County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carter County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Charles Wallace, Carter County Judge/Executive
Members of the Carter County Fiscal Court

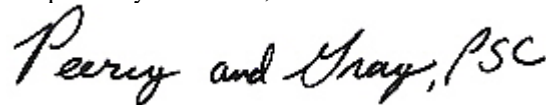
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carter County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2007, on our consideration of Carter County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-01 The Fiscal Court Should Maintain Proper Records For The Public Properties - Justice Center Corporation Fund
- 2007-02 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2007-03 The Jailer Should Increase Internal Controls Over The Billing For Inmates From Other Counties
- 2007-04 The Jailer Should Adhere To The Procurement Requirements Of The County Administrative Code Regarding Purchases From Jail Commissary Funds

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

October 31, 2007

CARTER COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Charles Wallace	County Judge/Executive
Lovell Carper	Magistrate
Judy Roark	Magistrate
Millard Cordle	Magistrate
William Webb	Magistrate
James Wilburn	Magistrate

Other Elected Officials:

Robert Miller	County Attorney
Randy Binion	Jailer
Mike Johnston	County Clerk
Larry Thompson	Circuit Court Clerk
Kevin McDavid	Sheriff
Charles Kiser	Property Valuation Administrator
George Sparks	Coroner

Appointed Personnel:

Cindy Lowe	County Treasurer
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Carter County

Carter County Courthouse
300 West Main Street, Room 227
Grayson, Kentucky 41143



Phone 606-474-5366
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CHARLES WALLACE
Carter County Judge Executive

Management's Discussion and Analysis **June 30, 2007**

The financial management of Carter County, Kentucky offers readers of Carter County's financial statements this narrative overview and analysis of the financial activities of Carter County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Carter County has net assets in governmental activities of \$6,208,784, including current and capital assets, as of June 30, 2007, net of related debt.
- Carter County's total indebtedness at the close of fiscal year June 30, 2007 was \$12,921,198, of which \$12,231,266 is long-term debt (due after 1 year) and \$689,932 is short-term debt (to be paid within 1 year). There were new debt additions during the fiscal year of \$343,350, and debt reductions were \$687,617 during the fiscal year.
- The County received various grants during the fiscal year. The county received \$5,550 from FIVCO for courthouse repairs. A \$10,684 Ambulance Board grant was received for equipment and training. The office of Homeland Security provided \$21,955 for the purchase of equipment and supplies for the Sheriff's office and Emergency Management. The county Fire Departments and Search & Rescue shared \$118,291 in coal severance funding. The Hitchins Fire Department & Community Center received a Line Item Budget Grant in the amount of \$250,000, which was started during the fiscal year. \$84,936 of the grant was spent during the 06-07 fiscal year, with the remainder to be spent and the project to be completed in the fall of 2007.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Carter County's basic financial statements. Carter County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Carter County's finances, in a manner similar to a private-sector business.

Carter County
Management's Discussion and Analysis
June 30, 2007
(Continued)

The *Statement of Net Assets* presents information on all of Carter County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Carter County is improving or deteriorating.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Carter County's governmental activities include general governmental, protection to persons and property, roads, general health and sanitation, and social services. The county has one business-type activity – the operation of a jail canteen.

The government-wide financial statements include not only Carter County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Carter County has one such entity, the Justice Center Corporation. It is known as a blended component unit.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carter County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Carter County can be divided into three broad categories: *governmental funds, proprietary funds, and fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Carter County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Local Government Economic Assistance Fund, Enhanced-911 Fund, and Justice Center Corporation Fund, all of which are considered major funds by the county. The Governor's Surplus Spending Fund, Forestry Fund, and Bond Defeasance Fund are considered non-major funds and are represented in combined form.

Carter County
Management's Discussion and Analysis
June 30, 2007
(Continued)

Carter County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided in this report for the General, Road, Jail, LGFA, and Enhanced-911 Funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net Assets. As noted earlier, net assets and changes in net assets may serve over time as a useful indicator of a government's financial position. Carter County's net assets for governmental activities increased from \$5,869,749 to \$6,208,784 during the fiscal year ended June 30, 2007.

At \$4,895,670, the largest portion of Carter County's net assets is invested in capital assets, net of related debt. During the year, the County increased this portion of net assets through the purchase of various capital assets. Additional explanation can be found in Notes 3-5 to the financial statements.

The second largest portion of net assets is unrestricted net assets, at \$1,313,114, which decreased \$263,305 from the previous year. Unrestricted net assets represents funds that can be spent at the County's discretion.

Table 1 presents a comparison of net assets as of June 30, 2006 and June 30, 2007.

Table 1
Carter County's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2007	2006	2007	2006	2007
Assets						
Cash and Cash Equivalents	\$ 1,576,419	\$ 1,313,114	\$ 13,082	\$ 14,292	\$ 1,589,501	\$ 1,327,406
Other Current Assets	9,117	214,932			9,117	214,932
Capital Assets	17,329,278	17,281,618	32,884	28,652	17,362,162	17,310,270
Other Noncurrent Assets	215,400	320,318			215,400	320,318
Total Assets	19,130,214	19,129,982	45,966	42,944	19,176,180	19,172,926
Liabilities						
Current Liabilities	659,117	690,903	2,831	1,829	661,948	692,732
Long-term liabilities	12,601,348	12,230,295	2,336	1,509	12,603,684	12,231,804
Total Liabilities	13,260,465	12,921,198	5,167	3,338	13,265,632	12,924,536
Net Assets						
Invested in capital assets, net of related debt	4,293,330	4,895,670	27,717	25,314	4,321,047	4,920,984
Unrestricted	1,576,419	1,313,114	13,082	14,292	1,589,501	1,327,406
Total Net Assets	\$ 5,869,749	\$ 6,208,784	\$ 40,799	\$ 39,606	\$ 5,910,548	\$ 6,248,390

**Carter County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

**Table 2
Carter County Statement of Activities Comparison**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2007	2006	2007	2006	2007
Program Expenses:						
General Government	\$ 1,366,834	\$ 2,260,452			\$ 1,366,834	\$ 2,260,452
Protection to Persons and Property	2,427,797	2,404,474			2,427,797	2,404,474
General Health and Sanitation	385,518	260,953			385,518	260,953
Social Services	25,864	41,491			25,864	41,491
Recreation and Culture	20,351	89,936			20,351	89,936
Roads	1,536,472	788,745			1,536,472	788,745
Interest on Long-Term Debt	607,139	433,453			607,139	433,453
Capital Projects	83,778	510,430			83,778	510,430
Jail Canteen			22,310	31,801	22,310	31,801
Total Expenses	6,453,753	6,789,934	22,310	31,801	6,476,063	6,821,735
Program Revenues:						
Charges for Services	121,491	111,580	31,681	30,608	153,172	142,188
Operating Grants and Contributions	5,304,154	4,627,010			5,304,154	4,627,010
Capital Grants and Contributions		244,911				244,911
Total Program Revenues	5,425,645	4,983,501	31,681	30,608	5,457,326	5,014,109
General Revenues:						
Taxes	1,709,782	1,642,809			1,709,782	1,642,809
Excess Fees	31,165	31,401			31,165	31,401
Unrestricted Investment Earnings	23,212	19,381			23,212	19,381
Miscellaneous Revenues	519,486	451,877			519,486	451,877
Total General Revenues	2,283,645	2,145,468			2,283,645	2,145,468
Total Revenues	7,709,290	7,128,969	31,681	30,608	7,740,971	7,159,577
Change in Net Assets	1,255,537	339,035	9,371	(1,193)	1,264,908	337,842
Beginning Net Assets	4,614,212	5,869,749	36,595	40,799	4,650,807	5,910,548
Prior Period Adjustment			(5,167)		(5,167)	
Ending Net Assets	\$ 5,869,749	\$ 6,208,784	\$ 40,799	\$ 39,606	\$ 5,910,548	\$ 6,248,390

Financial Analysis of the County's Funds.

As noted earlier, Carter County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Carter County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the June 30, 2007 fiscal year, the combined ending fund balance of the County's governmental funds was \$1,313,114.

Carter County
Management's Discussion and Analysis
June 30, 2007
(Continued)

The County has 6 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund; 5) Enhanced-911 Fund; and 6) Justice Center Corporation Fund. There are 3 non-major funds. They are the Forestry Fund, Governor's Surplus Spending Fund, and the Bond Defeasance Fund.

Governmental Funds Overview. (continued)

1. The General Fund is the chief operating fund of Carter County. At the end of June 30, 2007 fiscal year, the total fund balance of the General Fund was \$366,179, a decrease of \$618,091 from the previous fiscal year end. The county received \$701,613 in Insurance Premium Tax revenue, which accounts for approximately 33% of total general fund revenues. \$505,314 was received from real and personal property taxes (including motor vehicles), and accounts for approximately 24% of the county's general fund revenues. Various other taxes, service fees, and grants make up the remaining 43% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$354,026 in fund balance at June 30, 2007. The fund balance at the end of the previous year was \$99,541.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail fund had a fund balance at June 30, 2007 of \$116,665, an increase of \$56,564 over the previous fiscal year end.
4. The Local Government Economic Assistance Fund had a fund balance of \$36,468 an increase of \$8,922 over the previous fiscal year end.
5. The Enhanced-911 Fund accounts for the County's emergency operations and is supported primarily from telephone taxes. There was a fund balance of \$149,730 at the end of the June 30, 2007 fiscal year, an increase of \$25,682 from the previous year.
6. The Justice Center Corporation Fund is a blended component unit of the fiscal court. It was established to issue the debt to build the Carter County Justice Center.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column and the government-wide financial statements, but in more detail.

Carter County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net capital assets of \$28,652 as of June 30, 2007, and a cash balance of \$14,292.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year to increase the operating budget. Budget amendments are made to include revenues in excess of projected collections. The amendments made during the fiscal year are as follows:

1. General Fund: Grant revenue was amended by \$28,505 to allow for a \$5,550 FIVCO grant, a \$1,000 Department of Agriculture Grant, and \$21,955 received by Homeland Security for the Sheriff's Department. Another amendment was done to include \$3,769 in insurance reimbursements and related expenses to cover an accident and \$2,220 for a state grant.
2. Road Fund: The budget was amended in total by \$543,400. The amendments were made to include unbudgeted revenue from the Transportation Cabinet, and was used for road repairs.
3. LGEA Fund: Grant revenue was amended by \$403,291 to allow for expenditure of Coal Severance and HB380 grant funds.

Carter County
Management's Discussion and Analysis
June 30, 2007
(Continued)

Actual operating revenues in the General Fund were \$141,889 more than the actual amount budgeted by the Fiscal Court (after amendments), and actual operating expenses were \$55,790 less than the actual budget.

Capital Assets and Debt Administration.

Capital Assets. Carter County's investment in capital assets for its government and business type activities as of June 30, 2007, amounts to \$17,281,618 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure. The County has elected to report infrastructure assets per GASB 34 provisions. Additional information on capital assets can be found in Note 3.

Table 3
Carter County's Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Infrastructure Assets	\$ 2,999,272	\$ 3,544,779	\$	\$	\$ 2,999,272	\$ 3,544,779
Land	942,900	942,900			942,900	942,900
Bldgs. & Improvements	12,274,070	11,938,857			12,274,070	11,938,857
Equipment	648,619	605,936	32,884	28,652	681,503	634,588
Vehicles	464,417	249,146			464,417	249,146
Total Net Capital Asset:	<u>\$ 17,329,278</u>	<u>\$ 17,281,618</u>	<u>\$ 32,884</u>	<u>\$ 28,652</u>	<u>\$ 17,362,162</u>	<u>\$ 17,310,270</u>

Long-Term Debt. At the end of the 2007 fiscal year, Carter County had total long-term debt outstanding of \$12,725,848. The amount of this debt due within the next year is \$494,582 and \$12,331,266 is due in subsequent years. This debt is for the Detention Center, Justice Center, various Fire Departments, and equipment for the Sheriff's Department and Road Fund. Additional information on debt can be found in Note 5.

Short-Term Debt. The county has short-term debt at the end of the fiscal year of \$195,350, for Road Fund equipment purchases. Additional information on debt can be found in Note 4.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2008 fiscal year budget:

- The 2008 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests for Information

This financial report is designed to provide a general overview of Carter County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Carter County Treasurer, 300 West Main Street, Room 220, Grayson, Kentucky, 41143.

CARTER COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

CARTER COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,313,114	\$ 14,292	\$ 1,327,406
Notes Receivable (Fire Trucks)	19,582		19,582
Assets Held For Resale	195,350		195,350
Total Current Assets	1,528,046	14,292	1,542,338
Noncurrent Assets:			
Notes Receivable (Fire Trucks)	320,318		320,318
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	942,900		942,900
Buildings	11,938,857		11,938,857
Equipment	605,936		605,936
Vehicles	249,146	28,652	277,798
Infrastructure Assets - Net of Depreciation	3,544,779		3,544,779
Total Noncurrent Assets	17,601,936	28,652	17,630,588
Total Assets	19,129,982	42,944	19,172,926
LIABILITIES			
Current Liabilities:			
General Obligation Bonds	115,000		115,000
Revenue Bonds	285,000		285,000
Financing Obligations	290,903	1,829	292,732
Total Current Liabilities	690,903	1,829	692,732
Noncurrent Liabilities:			
General Obligation Bonds	5,550,000		5,550,000
Revenue Bonds	6,115,000		6,115,000
Financing Obligations	565,295	1,509	566,804
Total Noncurrent Liabilities	12,230,295	1,509	12,231,804
Total Liabilities	12,921,198	3,338	12,924,536
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,895,670	25,314	4,920,984
Unrestricted	1,313,114	14,292	1,327,406
Total Net Assets	\$ 6,208,784	\$ 39,606	\$ 6,248,390

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

CARTER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,260,452	\$ 97,287	\$ 916,678	\$
Protection to Persons and Property	2,404,474	14,293	1,608,909	213,911
General Health and Sanitation	260,953		246,542	1,000
Social Services	41,491			25,000
Recreation and Culture	89,936			5,000
Roads	788,745		1,854,881	
Interest on Long Term Debt	433,453			
Capital Projects	510,430			
Total Governmental Activities	6,789,934	111,580	4,627,010	244,911
Business-type Activities:				
Jail Canteen	31,801	30,608		
Total Business-type Activities	31,801	30,608		
Total Primary Government	\$ 6,821,735	\$ 142,188	\$ 4,627,010	\$ 244,911

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Tax Payments

Excess Fees

Licenses and Permits

Interest

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,246,487)	\$	\$ (1,246,487)
(567,361)		(567,361)
(13,411)		(13,411)
(16,491)		(16,491)
(84,936)		(84,936)
1,066,136		1,066,136
(433,453)		(433,453)
(510,430)		(510,430)
(1,806,433)		(1,806,433)
	(1,193)	(1,193)
	(1,193)	(1,193)
(1,806,433)	(1,193)	(1,807,626)
356,509		356,509
38,709		38,709
110,096		110,096
1,078,608		1,078,608
13,871		13,871
19,261		19,261
45,016		45,016
19,381		19,381
464,017		464,017
2,145,468		2,145,468
339,035	(1,193)	337,842
5,869,749	40,799	5,910,548
\$ 6,208,784	\$ 39,606	\$ 6,248,390

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

CARTER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Enhanced 911 Fund
ASSETS					
Cash and Cash Equivalents	\$ 366,179	\$ 354,026	\$ 116,665	\$ 36,468	\$ 149,730
Total Assets	<u>\$ 366,179</u>	<u>\$ 354,026</u>	<u>\$ 116,665</u>	<u>\$ 36,468</u>	<u>\$ 149,730</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 73,268	\$ 16,014	\$ 29,764	\$ 36,468	\$ 20,729
Unreserved:					
General Fund	292,911				
Special Revenue Funds		338,012	86,901		129,001
Capital Projects Funds					
Total Fund Balances	<u>\$ 366,179</u>	<u>\$ 354,026</u>	<u>\$ 116,665</u>	<u>\$ 36,468</u>	<u>\$ 149,730</u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Justice Center Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 197,555	\$ 92,491	\$ 1,313,114
<u>\$ 197,555</u>	<u>\$ 92,491</u>	<u>\$ 1,313,114</u>
\$	\$	\$ 176,243
		292,911
	92,491	646,405
<u>197,555</u>	<u></u>	<u>197,555</u>
<u>\$ 197,555</u>	<u>\$ 92,491</u>	<u>\$ 1,313,114</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,313,114
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	21,600,899
Accumulated Depreciation	(4,319,281)
Assets Held For Resale	195,350
Notes Receivable Are Not A Current Financial Resource And Therefore Are Not Reported in the Funds.	339,900
Debt is Not Due and Payable in the Current Period and, Therefore, is Not Reported in the Funds.	
Financing Obligations	(856,198)
Bonded Debt	<u>(12,065,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,208,784</u>

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

CARTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 1,376,851	\$	\$	\$
In Lieu Tax Payments	13,871			
Excess Fees	19,261			
Licenses and Permits	45,016			
Intergovernmental	327,488	1,854,881	1,525,043	477,542
Charges for Services	97,287		14,293	
Miscellaneous	203,471	2,969	235,184	9,798
Interest	3,038	4,879	931	607
Total Revenues	<u>2,086,283</u>	<u>1,862,729</u>	<u>1,775,451</u>	<u>487,947</u>
EXPENDITURES				
General Government	1,061,847			15,610
Protection to Persons and Property	185,478		1,342,423	437,543
General Health and Sanitation	62,658			191,542
Social Services	40,991			500
Recreation and Culture				89,936
Roads		984,095		
Debt Service	18,402	83,143	394,718	
Capital Projects	22,536	828,817	33,791	
Administration	370,354	207,539	346,800	135,157
Total Expenditures	<u>1,762,266</u>	<u>2,103,594</u>	<u>2,117,732</u>	<u>870,288</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>324,017</u>	<u>(240,865)</u>	<u>(342,281)</u>	<u>(382,341)</u>
Other Financing Sources (Uses)				
Financing Obligations Proceeds	148,000	195,350		
Transfers From Other Funds		300,000	398,845	391,263
Transfers To Other Funds	(1,090,108)			
Total Other Financing Sources (Uses)	<u>(942,108)</u>	<u>495,350</u>	<u>398,845</u>	<u>391,263</u>
Net Change in Fund Balances	(618,091)	254,485	56,564	8,922
Fund Balances - Beginning	984,270	99,541	60,101	27,546
Fund Balances - Ending	<u>\$ 366,179</u>	<u>\$ 354,026</u>	<u>\$ 116,665</u>	<u>\$ 36,468</u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Enhanced 911 Fund	Justice Center Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 203,043	\$	\$ 4,028	\$ 1,583,922
			13,871
			19,261
			45,016
97,777	589,190		4,871,921
			111,580
12,595			464,017
807	7,705	1,414	19,381
<u>314,222</u>	<u>596,895</u>	<u>5,442</u>	<u>7,128,969</u>
			1,077,457
184,101		3,456	2,153,001
			254,200
			41,491
			89,936
			984,095
	587,190		1,083,453
66,142			951,286
38,297	2,558		1,100,705
<u>288,540</u>	<u>589,748</u>	<u>3,456</u>	<u>7,735,624</u>
<u>25,682</u>	<u>7,147</u>	<u>1,986</u>	<u>(606,655)</u>
			343,350
			1,090,108
			<u>(1,090,108)</u>
			343,350
25,682	7,147	1,986	(263,305)
124,048	190,408	90,505	1,576,419
<u>\$ 149,730</u>	<u>\$ 197,555</u>	<u>\$ 92,491</u>	<u>\$ 1,313,114</u>

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

CARTER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds \$ (263,305)

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	944,344
Depreciation Expense	(828,357)
Asset Disposal, Net Value	(163,647)
Purchase of Assets Held For Resale	195,350

Governmental Funds Report Loans Made to Other Entities as an Expenditure in the Governmental Funds and a Notes Receivable at the Government-Wide Level. Payments From These Entities on These Notes Receivable are a Current Financial Resource in the Governmental Fund, while at the Government-Wide Level These Payments Reduce the Note Receivable.

Payments on Notes Receivable	(32,617)
Issuance of Notes Receivable	148,000

The Issuance of Long-Term and Short-Term Debt (e.g. bonds, leases) Provides Current Financial Resources to Governmental Funds, while Lease and Bond Principal Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(343,350)
Financing Obligation Payments	297,617
Bond Payments	385,000

Change in Net Assets of Governmental Activities	\$ 339,035
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CARTER COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

CARTER COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 14,292
Total Current Assets	<u>14,292</u>
Noncurrent Assets:	
Capital Assets:	
Equipment	57,673
Less Accumulated Depreciation	<u>(29,021)</u>
Total Noncurrent Assets	<u>28,652</u>
Total Assets	<u>42,944</u>
Current Liabilities	
Financing Obligation	<u>1,829</u>
Total Current Liabilities	<u>1,829</u>
Long-term Liabilities	
Financing Obligation	<u>1,509</u>
Total Long-term Liabilities	<u>1,509</u>
Total Liabilities	<u>3,338</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	25,314
Unrestricted	<u>14,292</u>
Total Net Assets	<u><u>\$ 39,606</u></u>

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

CARTER COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Enterprise Fund
	<hr/>
	Jail Canteen Fund
	<hr/>
Operating Revenues	
Canteen Receipts	\$ 30,608
Total Operating Revenues	<hr/> 30,608 <hr/>
Operating Expenses	
Educational and Recreational	9,766
Depreciation Expense	11,807
Personnel Costs	5,088
Miscellaneous	5,140
Total Operating Expenses	<hr/> 31,801 <hr/>
Operating Income	<hr/> (1,193) <hr/>
Change In Net Assets	(1,193)
Total Net Assets - Beginning (Restated)	<hr/> 40,799 <hr/>
Total Net Assets - Ending	<hr/> \$ 39,606 <hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

CARTER COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 30,608
Payments to Vendors	<u>(19,994)</u>
Net Cash Provided By Operating Activities	<u>10,614</u>
Cash Flows From Investing Activities	
Purchase of Capital Assets	<u>(7,575)</u>
Net Cash Provided by Investing Activities	<u>(7,575)</u>
Cash Flows From Financing Activities	
Principal Payments on Note Payable	<u>(1,829)</u>
Net Cash Provided by Financing Activities	<u>(1,829)</u>
Net Decrease in Cash and Cash Equivalents	1,210
Cash and Cash Equivalents - July 1, 2006	<u>13,082</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 14,292</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating	\$ (1,193)
Plus: Depreciation Expense	<u>11,807</u>
Total Cash Used By Operating Activities	<u><u>\$ 10,614</u></u>

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

CARTER COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	<u>Agency Fund</u>
	Jail Inmate Fund
	<u> </u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 14,034</u>
Total Assets	<u> 14,034</u>
Liabilities	
Amounts Held In Custody For Others	<u> 14,034</u>
Total Liabilities	<u> 14,034</u>
Net Assets	
Total Net Assets	<u><u> \$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Carter County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Carter County Justice Center Corporation

The Carter County Justice Center Corporation (the Corporation) is a legally separate entity established to provide long-term debt service to the Fiscal Court for the construction of a justice center facility. A majority of the Corporation's governing body is appointed by the Carter County Judge/Executive. Further, the Carter County Fiscal Court can significantly influence the Corporation's operations. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Carter County Elected Officials

Kentucky law provides for election of the officials noted below from the geographic area constituting Carter County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carter County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation. 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for funds received from state grants. These funds may be used for public safety, environmental protection, and economic development.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Enhanced 911 Fund - This fund accounts for the County's emergency operations and is supported primarily from telephone taxes.

Justice Center Corporation Fund - This fund accounts for the activities of the Carter County Justice Center Corporation, a blended component unit of the county. The Justice Center Corporation fund issued the debt to build the justice center. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Governor's Surplus Spending Fund, Forestry Fund, and the Bond Defeasance Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Enhanced 911 Fund, Governor's Surplus Spending Fund, Forestry Fund, and Bond Defeasance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Justice Center Corporation Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale on April 30, following delinquency date.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB statements or interpretations.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

All fiduciary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Jail Inmate Fund, is used to account for inmate monies held by the jailer for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land, non-depreciable land improvements, and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	25-40
Buildings	\$ 25,000	30-40
Building Improvements	\$ 25,000	15-25
Machinery and Equipment	\$ 2,500	5-10
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	15-25

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Justice Center Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Governor's Office for Local Development does not require this fund to be budgeted.

J. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Ambulance Service is considered a related organization of the Carter County Fiscal Court.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Northeast Kentucky Regional Industrial Park Authority meets the criteria noted above and is an organization jointly governed by the Kentucky Counties of Boyd, Carter, Elliott, Greenup, and Lawrence.

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 942,900	\$	\$	\$ 942,900
Total Capital Assets Not Being Depreciated	942,900			942,900
Capital Assets, Being Depreciated:				
Buildings	14,055,727			14,055,727
Equipment	1,345,812	86,623	(12,600)	1,419,835
Vehicles	1,129,623	31,454	(190,000)	971,077
Infrastructure	3,385,093	826,267		4,211,360
Total Capital Assets Being Depreciated	19,916,255	944,344	(202,600)	20,657,999
Less Accumulated Depreciation For:				
Buildings	(1,781,657)	(335,213)		(2,116,870)
Equipment	(697,193)	(129,231)	12,525	(813,899)
Vehicles	(665,206)	(83,153)	26,428	(721,931)
Infrastructure	(385,821)	(280,760)		(666,581)
Total Accumulated Depreciation	(3,529,877)	(828,357)	38,953	(4,319,281)
Total Capital Assets, Being Depreciated, Net	16,386,378	115,987	(163,647)	16,338,718
Governmental Activities Capital Assets, Net	<u>\$ 17,329,278</u>	<u>\$ 115,987</u>	<u>\$ (163,647)</u>	<u>\$ 17,281,618</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Equipment	\$ 51,128	\$ 9,220	\$ (2,675)	\$ 57,673
Total Capital Assets Being Depreciated	51,128	9,220	(2,675)	57,673
Less Accumulated Depreciation For:				
Vehicles and Equipment	(18,244)	(11,807)	1,030	(29,021)
Total Accumulated Depreciation	(18,244)	(11,807)	1,030	(29,021)
Total Capital Assets, Being Depreciated, Net	32,884	(2,587)	(1,645)	28,652
Business-Type Activities Capital Assets, Net	<u>\$ 32,884</u>	<u>\$ (2,587)</u>	<u>\$ (1,645)</u>	<u>\$ 28,652</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 82,290
Protection to Persons and Property	399,473
General Health and Sanitation	6,753
Roads, Including Depreciation of General Infrastructure Assets	<u>339,841</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 828,357</u>

Business-Type Activities

Jail Canteen	<u>\$ 11,807</u>
Total Depreciation Expense - Business Activities	<u>\$ 11,807</u>

Note 4. Short-term Debt

A. KADD Lease – Series 2005

On January 10, 2006, the fiscal court entered into a one-year leasing agreement with KADD Financing Trust for the purchase of a truck for the road department. The lease was paid in full during the fiscal year.

B. Road Truck

On April 9, 2007, the fiscal court entered into a one-year leasing agreement with the Commercial Bank of Grayson for the purchase of a truck for the road department. The lease matures on April 9, 2008.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	<u>195,350</u>	<u>8,791</u>
Totals	<u>\$ 195,350</u>	<u>\$ 8,791</u>

C. Changes In Short-term Liabilities

Short-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	<u>\$ 190,000</u>	<u>\$195,350</u>	<u>\$ 190,000</u>	<u>\$ 195,350</u>	<u>\$ 195,350</u>
Governmental Activities					
Short-term Liabilities	<u>\$ 190,000</u>	<u>\$ 195,350</u>	<u>\$ 190,000</u>	<u>\$ 195,350</u>	<u>\$ 195,350</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt

A. Improvement Bonds, Series 2001

On May 1, 2001, the Carter County Fiscal Court issued \$6,105,000 of General Obligation Improvement bonds for financing the construction of the Carter County Detention Facility. The bonds require semiannual interest and principal payments to be made on May 1 and November 1 of each year. The interest payments commenced on November 1, 2001, and the principal payments commenced on May 1, 2003. As of June 30, 2007, the principal amount outstanding was \$5,665,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	115,000	280,318
2009	125,000	275,602
2010	130,000	270,353
2011	135,000	264,763
2012	140,000	258,890
2013-2017	810,000	1,191,928
2018-2022	1,040,000	974,420
2023-2027	1,370,000	678,294
2028-2032	1,800,000	286,998
Totals	<u>\$ 5,665,000</u>	<u>\$ 4,481,566</u>

B. First Mortgage Revenue Bonds, Series 2002

On August 1, 2001, the Carter County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of constructing the Justice Center and obtaining office rental space for the AOC at the Justice Center. Subsequently, on July 1, 2002, the Carter County Justice Center Corporation issued First Mortgage Revenue Bonds in order to construct the Carter County Justice Center.

The Carter County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as agents for the AOC in order to plan, design, construct, manage, and maintain the Justice Center. The Carter County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals from the AOC for use of the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable each year. The Carter County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

The use allowance payment commenced with occupancy of the Justice Center by the Administrative Office of the Courts. The AOC with the execution of the lease has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 1, 2022, but the lease does not legally obligate the Administrative Office of Courts to do so.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 2002 (Continued)

The bonds require semiannual interest and principal payments to be made on May 1 and November 1 of each year. The interest payments commenced on March 1, 2003, and the principal payments commenced on March 1, 2004. As of June 30, 2007, the principal amount outstanding was \$6,400,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	285,000	281,645
2009	295,000	272,098
2010	310,000	261,478
2011	320,000	249,698
2012	335,000	237,218
2013-2017	1,905,000	964,163
2018-2022	2,395,000	491,150
2023	555,000	27,054
Totals	<u>\$ 6,400,000</u>	<u>\$ 2,784,504</u>

C. Kentucky Area Development District Financing Program

On October 9, 2003, the Carter County Justice Center Corporation entered into a 20-year lease agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$380,000. The proceeds of the lease were used to fund a portion of the construction costs associated with the new Justice Center. A principal payment of \$170,000 was paid on May 28, 2004 with the remaining principal due annually commencing on December 1, 2006. The agreement requires semiannual interest payments at an average rate of 3.86 percent. The Administrative Office of the Courts is expected to pay the full amount of the principal and interest payments. The principal outstanding as of June 30, 2007 was \$185,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	15,000	6,728
2009	15,000	6,383
2010	15,000	5,981
2011	10,000	5,610
2012	15,000	5,198
2013-2017	55,000	19,871
2018-2022	50,000	8,315
2023	10,000	239
Totals	<u>\$ 185,000</u>	<u>\$ 58,325</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

D. Sheriff's Vehicles - 2005

On January 20, 2006, the fiscal court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of vehicles for the sheriff's office. The lease term is for four years, with the balance to be paid in full on July 20, 2009. The balance of the financing obligation at June 30, 2007 was \$37,914. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	10,000	1,037
2009	10,000	683
2010	17,914	55
Totals	<u>\$ 37,914</u>	<u>\$ 1,775</u>

E. Road Equipment

In October 2005, the county entered into a financing obligation agreement for \$148,034 with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. Terms of the agreement stipulate a three-year repayment schedule, with variable monthly interest payments and variable annual principal payments. The principal amount is due on July 20 of each year to end on January 20, 2008. As of June 30, 2007, the principal balance was \$98,034. Obligations for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	50,000	2,879
2009	48,034	205
Totals	<u>\$ 98,034</u>	<u>\$ 3,084</u>

F. Fire Truck/Notes Receivable

On March 7, 2005, the Carter County Fiscal Court entered into a \$93,000 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of a fire truck. Terms of the agreement stipulate a ten-year repayment schedule, with variable interest payments and variable annual principal payments ending on July 20, 2015. As of June 30, 2007, the principal balance remaining was \$81,561. Future principal and interest requirements are:

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

F. Fire Truck/Notes Receivable (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	6,170	3,830
2009	6,496	3,504
2010	6,837	3,163
2011	7,197	2,803
2012	7,571	2,429
2013-2015	47,290	4,908
Totals	<u>\$ 81,561</u>	<u>\$ 20,637</u>

The Grahn Fire Department has agreed to make the principal payments for the term of the lease agreement. Therefore, the County has recorded a note receivable due from the Fire Department for the amount of the debt incurred by the County as follows:

Current Portion	\$ 6,170
Long-Term Portion	<u>75,391</u>
Total	<u>\$ 81,561</u>

G. Fire Pumper/Notes Receivable

On June 22 2006, the Carter County Fiscal Court entered into a \$140,000 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of a fire pumper. Terms of the agreement stipulate a twelve-year repayment schedule, with variable interest payments and variable annual principal payments ending on July 20, 2017. As of June 30, 2007, the principal balance remaining was \$115,339. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	4,383	2,357
2009	4,617	5,383
2010	4,859	5,141
2011	5,117	4,883
2012	5,379	4,621
2013-2017	31,453	18,547
2018	59,531	
Totals	<u>\$ 115,339</u>	<u>\$ 40,932</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

G. Fire Pumper/Notes Receivable (Continued)

The Hitchens Fire Department has agreed to make the principal payments for the term of the lease agreement. Therefore, the County has recorded a note receivable due from the Fire Department for the amount of the debt incurred by the County as follows:

Current Portion	\$ 4,383
Long-Term Portion	<u>110,956</u>
Total	<u>\$ 115,339</u>

H. Fire Pumper/Notes Receivable

On June 30 2006, the Carter County Fiscal Court entered into a \$148,000 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of a fire truck. Terms of the agreement stipulate a fourteen-year repayment schedule, with a 4.5% interest payments and variable annual principal payments ending on December 20, 2020. As of June 30, 2007, the principal balance remaining was \$143,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 10,000	\$ 7,035
2009	10,000	6,672
2010	10,000	6,169
2011	10,000	5,663
2012	10,000	5,155
2013-2017	50,000	18,274
2018-2022	<u>43,000</u>	<u>5,383</u>
Totals	<u>\$ 143,000</u>	<u>\$ 54,351</u>

The Norton Branch Fire Department has agreed to make the principal payments for the term of the lease agreement. Therefore, the County has recorded a note receivable due from the Fire Department for the amount of the debt incurred by the County as follows:

Current Portion	\$ 10,000
Long-Term Portion	<u>133,000</u>
Total	<u>\$ 143,000</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

I. Jail Canteen Equipment

On April 20, 2006, the Carter County Fiscal Court entered into a \$5,473 agreement for a New Holland tractor to be used by Jail Canteen Fund. The agreement calls for a monthly payment of \$152 beginning May 20, 2006, to be completed with a \$137 payment on April 20, 2009. As of June 30, 2007, the principal balance remaining was \$3,338. Required future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-type Activities Principal</u>
2008	1,829
2009	1,509
Totals	<u>\$ 3,338</u>

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation					
Improvement Bonds	\$ 5,775,000	\$	\$ 110,000	\$ 5,665,000	\$ 115,000
Revenue Bonds	6,675,000		275,000	6,400,000	285,000
Financing Obligations	620,465	148,000	107,617	660,848	95,553
Governmental Activities					
Long-term Liabilities	<u>\$ 13,070,465</u>	<u>\$ 148,000</u>	<u>\$ 492,617</u>	<u>\$ 12,725,848</u>	<u>\$ 495,553</u>
(Restated)					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
<u>Business-type Activities:</u>					
Financing obligations	\$ 5,167		1,829	3,338	1,829
Business-type Activities:					
Long-term Liabilities	<u>\$ 5,167</u>	<u>\$</u>	<u>\$ 1,829</u>	<u>\$ 3,338</u>	<u>\$ 1,829</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2007, Carter County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Prior Period Adjustments

Beginning net assets of the business-type activities has been restated due to a financing obligation on a tractor in the amount of \$5,488 not being included in the June 30, 2006 financial statements. Beginning net assets of the business-type activities has been adjusted in the amount of \$5,167, the loan balance as of June 30, 2006.

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,293,000	\$ 1,293,000	\$ 1,376,851	\$ 83,851
In Lieu Tax Payments	1,000	1,000	13,871	12,871
Excess Fees	35,000	35,000	31,401	(3,599)
Licenses and Permits	43,100	43,100	45,016	1,916
Intergovernmental	291,500	322,225	327,488	5,263
Charges for Services	90,000	90,000	97,287	7,287
Miscellaneous	149,800	153,569	191,331	37,762
Interest	6,500	6,500	3,038	(3,462)
Total Revenues	<u>1,909,900</u>	<u>1,944,394</u>	<u>2,086,283</u>	<u>141,889</u>
EXPENDITURES				
General Government	1,045,577	1,122,523	1,089,411	33,112
Protection to Persons and Property	20,425	42,339	37,478	4,861
General Health and Sanitation	69,210	69,283	62,658	6,625
Social Services	37,820	45,040	40,991	4,049
Debt Service	7,200	6,432	6,432	
Capital Projects		6,942	6,942	
Administration	455,330	377,497	370,354	7,143
Total Expenditures	<u>1,635,562</u>	<u>1,670,056</u>	<u>1,614,266</u>	<u>55,790</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>274,338</u>	<u>274,338</u>	<u>472,017</u>	<u>197,679</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(1,215,518)</u>	<u>(1,215,518)</u>	<u>(1,090,108)</u>	<u>125,410</u>
Total Other Financing Sources (Uses)	<u>(1,215,518)</u>	<u>(1,215,518)</u>	<u>(1,090,108)</u>	<u>125,410</u>
Net Changes in Fund Balance	(941,180)	(941,180)	(618,091)	323,089
Fund Balance - Beginning	<u>941,180</u>	<u>941,180</u>	<u>984,270</u>	<u>43,090</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 366,179</u>	<u>\$ 366,179</u>

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,312,776	\$ 1,856,176	\$ 1,854,881	\$ (1,295)
Miscellaneous			2,969	2,969
Interest	1,500	1,500	4,879	3,379
Total Revenues	1,314,276	1,857,676	1,862,729	5,053
EXPENDITURES				
Roads	1,390,370	1,950,114	1,617,562	332,552
Debt Service	84,600	84,600	83,143	1,457
Administration	239,306	222,962	207,539	15,423
Total Expenditures	1,714,276	2,257,676	1,908,244	349,432
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(400,000)	(400,000)	(45,515)	354,485
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	300,000	300,000	300,000	
Total Other Financing Sources (Uses)	300,000	300,000	300,000	
Net Changes in Fund Balance	(100,000)	(100,000)	254,485	354,485
Fund Balance - Beginning	100,000	100,000	99,541	(459)
Fund Balance - Ending	\$ 0	\$ 0	\$ 354,026	\$ 354,026

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,401,800	\$ 1,451,800	\$ 1,525,043	\$ 73,243
Charges for Services	5,000	5,000	14,293	9,293
Miscellaneous	230,500	230,500	235,184	4,684
Interest	1,000	1,000	931	(69)
Total Revenues	<u>1,638,300</u>	<u>1,688,300</u>	<u>1,775,451</u>	<u>87,151</u>
EXPENDITURES				
Protection to Persons and Property	1,306,875	1,446,245	1,376,214	70,031
Debt Service	394,718	394,718	394,718	
Administration	391,250	350,880	346,800	4,080
Total Expenditures	<u>2,092,843</u>	<u>2,191,843</u>	<u>2,117,732</u>	<u>74,111</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(454,543)</u>	<u>(503,543)</u>	<u>(342,281)</u>	<u>161,262</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>394,718</u>	<u>394,718</u>	<u>398,845</u>	<u>4,127</u>
Total Other Financing Sources (Uses)	<u>394,718</u>	<u>394,718</u>	<u>398,845</u>	<u>4,127</u>
Net Changes in Fund Balance	(59,825)	(108,825)	56,564	165,389
Fund Balance - Beginning	<u>59,825</u>	<u>59,825</u>	<u>60,101</u>	<u>276</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (49,000)</u>	<u>\$ 116,665</u>	<u>\$ 165,665</u>

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 210,000	\$ 613,291	\$ 477,542	\$ (135,749)
Charges for Services	3,700	3,700	9,798	6,098
Interest	500	500	607	107
Total Revenues	<u>214,200</u>	<u>617,491</u>	<u>487,947</u>	<u>(129,544)</u>
EXPENDITURES				
General Government	17,400	17,400	15,610	1,790
Protection to Persons and Property	315,370	478,661	437,543	41,118
General Health and Sanitation	219,800	220,648	191,542	29,106
Social Services	500	500	500	
Recreation and Culture		255,000	89,936	165,064
Administration	206,930	142,082	135,157	6,925
Total Expenditures	<u>760,000</u>	<u>1,114,291</u>	<u>870,288</u>	<u>244,003</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(545,800)</u>	<u>(496,800)</u>	<u>(382,341)</u>	<u>114,459</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	520,800	520,800	391,263	(129,537)
Total Other Financing Sources (Uses)	<u>520,800</u>	<u>520,800</u>	<u>391,263</u>	<u>(129,537)</u>
Net Changes in Fund Balances	(25,000)	24,000	8,922	(15,078)
Fund Balances - Beginning	<u>25,000</u>	<u>25,000</u>	<u>27,546</u>	<u>2,546</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 49,000</u>	<u>\$ 36,468</u>	<u>\$ (12,532)</u>

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

ENHANCED 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 205,000	\$ 205,000	\$ 203,043	\$ (1,957)
Intergovernmental Revenue	55,000	55,000	97,777	42,777
Miscellaneous	500	500	12,595	12,095
Interest	800	800	807	7
Total Revenues	261,300	261,300	314,222	52,922
EXPENDITURES				
Protection to Persons and Property	295,600	322,050	250,243	71,807
Administration	75,700	49,250	38,297	10,953
Total Expenditures	371,300	371,300	288,540	82,760
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(110,000)	(110,000)	25,682	135,682
Net Changes in Fund Balances	(110,000)	(110,000)	25,682	135,682
Fund Balances - Beginning	110,000	110,000	124,048	14,048
Fund Balances - Ending	\$ 0	\$ 0	\$ 149,730	\$ 149,730

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CARTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Justice Center Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Variances In Actual Amounts

Actual amounts presented on the budgetary comparison schedules may differ from the amounts presented in the statement of revenues, expenditures, and changes in fund balances. The reason for the differences is that actual amounts presented in the budgetary schedules represent unadjusted amounts presented in the County's fourth quarter financial report while amounts presented in the statement of revenues, expenditures, and changes in fund balances have been subjected to reclassifications. However, the results of the reclassifications did not affect net changes in fund balances.

**CARTER COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

CARTER COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Governor's Surplus Spending Fund	Forestry Fund	Bond Defeasance Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 11,497	\$ 13,533	\$ 67,461	\$ 92,491
Total Assets	<u>\$ 11,497</u>	<u>\$ 13,533</u>	<u>\$ 67,461</u>	<u>\$ 92,491</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 11,497	\$ 13,533	\$ 67,461	\$ 92,491
Total Fund Balances	<u>\$ 11,497</u>	<u>\$ 13,533</u>	<u>\$ 67,461</u>	<u>\$ 92,491</u>

The accompanying notes are an integral part of the financial statements.

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CARTER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007

CARTER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	Governor's Surplus Spending Fund	Forestry Fund	Bond Defeasance Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 4,028	\$	\$ 4,028
Interest	86		1,328	1,414
Total Revenues	<u>86</u>	<u>4,028</u>	<u>1,328</u>	<u>5,442</u>
EXPENDITURES				
Protection to Persons and Property		3,456		3,456
Total Expenditures		<u>3,456</u>		<u>3,456</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>86</u>	<u>572</u>	<u>1,328</u>	<u>1,986</u>
Net Change in Fund Balances	86	572	1,328	1,986
Fund Balances - Beginning	11,411	12,961	66,133	90,505
Fund Balances - Ending	<u>\$ 11,497</u>	<u>\$ 13,533</u>	<u>\$ 67,461</u>	<u>\$ 92,491</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Peercy and gray, PSC
Certified Public Accountants
2300 Hurstbourne Village Drive, Suite 500
Louisville, Kentucky 40299
Phone: (502) 493-1090
FAX: (502) 493-7231

The Honorable Charles Wallace, Carter County Judge/Executive
Members of the Carter County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carter County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 31, 2007. Carter County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carter County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carter County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carter County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies 2007-01, 2007-02, and 2007-03, described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

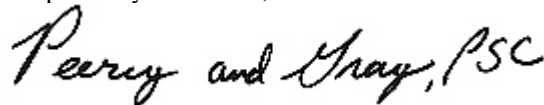
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carter County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations: 2007-04.

Carter County's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit Carter County's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

October 31, 2007

**CARTER COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2007

**CARTER COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2007

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

Reference Number 2007-01

The Fiscal Court Should Maintain Proper Records For The Public Properties – Justice Center Corporation Fund

The County should maintain proper records for the Public Properties – Justice Center Corporation Fund (PPC). Since the Fiscal Court is financially accountable and legally obligated for the debt of the PPC, it is a blended component unit of the Fiscal Court. The PPC fund paid for the construction of the Justice Center, received payments from AOC, and made debt service payments for the 2002 First Mortgage Revenue Bond issue. The county should receive the bank statements for the PPC, maintain a receipts and disbursements ledger, and prepare a financial statement.

We recommend the county maintain proper records for the PPC in the future.

County Judge/Executive Charles Wallace's Response:

Carter County Judge/Executive does not receive the records. The records are maintained & kept by the Treasurer.

County Treasurer Cindy Lowe's Response:

This comment was in our Audit Report in the prior fiscal year. We received bank statements on two of the accounts, however the Bank of New York failed to provide us with the statements on the third account. I will write a letter to the Bank of New York immediately to request that those statements be provided to us. I verbally requested that this be done after the previous audit, but it was not. In response to the need for a financial statement on the Justice Center Public Properties Corporation fund, my understanding from the previous audits was that a financial statement needed to be completed on the construction costs of the Justice Center. There was no information contained in the bank statements in fiscal year 06-07 that would warrant a financial statement. The only transactions during the fiscal year were Bond principal and interest payments. I am still unclear on what information would be put on a receipts and disbursements ledger, or a financial statement, as there has been no construction activity for a couple of years.

Reference Number 2007-02

The Fiscal Court Lacks Adequate Segregation Of Duties

The County has a lack of adequate segregation of duties. We recommend the following controls be implemented to achieve a proper segregation of duties:

- An independent person should list all receipts and verify them to the treasurer's receipt ledger.
- An independent person should open bank statements and review them for unusual items, such as debit memos, deposit shortages, and overdraft charges. The person initialing the envelope or bank statement can document this.
- An independent person should compare fiscal court order approvals to invoices and canceled checks.

**CARTER COUNTY
COMMENTS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES: (Continued)

The Fiscal Court Lacks Adequate Segregation Of Duties (Continued)

- A person who is independent from receiving and billing should open all incoming mail and secure the unopened bids until the Fiscal Court Meeting.

County Judge/Executive Charles Wallace's Response:

I have recommended on numerous times that a Finance Officer should be hired. Auditors in the past recommended one should be hired. Carter County Fiscal Court has not approved the recommendation.

County Treasurer Cindy Lowe's Response:

Because of the small size of our staff, we are severely limited on ways to adequately segregate duties. I am the only person in my office, so there is no one to independently list receipts. There is an employee in another Courthouse Office that reviews the bank statements and bank reconciliations and initials them each month. Without additional personnel in the Treasurer's Office, there is no other way to correct this problem.

Reference Number 2007-03

The Jailer Should Increase Internal Controls Over The Billing For Inmates From Other Counties

The Jailer received notice from the Morgan County Attorney of a possible problem with the over-billing of the Morgan County Fiscal Court for the housing of five Morgan County inmates. The Jailer investigated and discovered that there was an error in computer billing. The County has over-billed the Morgan County Fiscal Court over the past four years a total of \$50,150 through August 2007. Morgan County Fiscal Court has agreed to use this amount as a credit against future charges. Morgan County Fiscal Court has outstanding bills of \$29,918 for the months April-September 2007 leaving a credit as of the audit date of \$20,232.

We recommend that reports showing the release dates of inmates be printed and kept on hand, to cross-reference with the billing.

County Judge/Executive Charles Wallace's Response:

The Inmate billing is done by the Carter County Detention Center and is not billed from the Carter County Judge Executive office.

County Treasurer Cindy Lowe's Response:

All of the Detention Center billing is done by Jail Staff. I receive a copy each month, so that I can verify that the correct amount is paid to the county, but I have no way to verify that the bill itself is correct. I have talked with the Jail Staff, and they are going to start printing the Inmate Release Date information and cross-referencing it with the billing before it is sent out each month.

Jailer Randy Binion's Response:

We will run a release report before doing billing to try to avoid over billing. On Morgan County billing 5 inmates was released out of the computer, but because of a problem with computer it continued to bill these 5 inmates. We will double-check these billings monthly.

**CARTER COUNTY
COMMENTS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NONCOMPLIANCE:

Reference Number 2007-04

The Jailer Should Adhere To The Procurement Requirements Of The County Administrative Code Regarding Purchases From Jail Commissary Funds

The County Administrative Code requires all contracts for the County to be executed by the County Judge/Executive and if in excess of \$10,000, approved by the County Attorney and advertisement for bids executed. During our test of disbursements, we discovered the following items purchased where the Jailer failed to adhere to the County Administrative Code:

On April 20, 2006, a tractor with a sales price of \$10,473 was purchased with a down payment of \$5,000 and a financing agreement executed by the Jailer for the remaining \$5,473 with no interest being charged. The financing agreement was not executed by the County Judge/Executive, no approval was received from the County Attorney, and no advertisement for bids was executed.

On December 29, 2006, a vehicle was purchased with a purchase price of \$10,575 with a trade in of another vehicle for \$3,000 and the payment of the remaining \$7,575 from commissary funds. The Jailer received no approval for the purchase from the County Attorney and no advertisement for bids was executed.

We recommend that all contracts for Jail operations be executed by the County Judge/Executive and any purchases over \$10,000 be approved by the County Attorney and advertisement for bids be executed in accordance with the County Administrative Code.

County Judge/Executive Charles Wallace's Response:

This is controlled by the Carter Co. Jailer & his staff. Judge Executive is not informed of or have any knowledge of the Commissary funds.

County Treasurer Cindy Lowe's Response:

This finding does not pertain to me or my office.

Jailer Randy Binion's Response:

All future purchases will be kept under \$10,000, or we will get bids to be approved thru the Judge-executive and county Attorney first.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CARTER COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

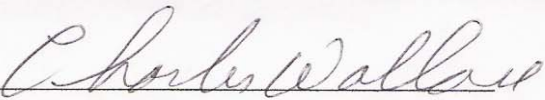
ATTACHMENT A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CARTER COUNTY FISCAL COURT

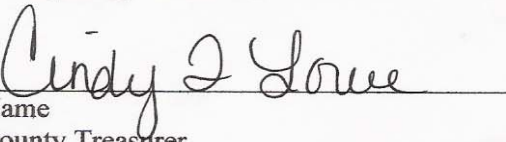
For The Fiscal Year Ended June 30, 2007

The Carter County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer

